

TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Thompson	<b>County</b> Schoolcraft
<b>Audit Date</b> March 31, 2006	<b>Opinion Date</b> June 13, 2006	<b>Date Accountant Report Submitted to State:</b> July 12, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686		<b>City</b> Bay City	<b>State</b> MI
<b>Accountant Signature</b> <i>Campbell Kusterer &amp; Co. P.C.</i>		<b>Zip</b> 48707	

TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

June 13, 2006

To the Township Board  
Township of Thompson  
Schoolcraft County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Thompson, Schoolcraft County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Thompson's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Thompson, Schoolcraft County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2005.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Thompson covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Overall total capital assets remained approximately the same.

Overall revenues were \$120,060.69 from governmental activities with a \$6,398.03 decrease in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole. The statement of net assets includes all the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

All of the activities of the Township are reported as governmental activities. These include the General Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are roads which incurred expenses of \$15,706.00.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$13,772.00 in capital assets.

The Township's governmental activities paid \$0 in principal on long-term debt.

TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2006

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at P.O. Box 174, Manistique, Michigan 49854 or 906-341-6680.

TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	177 712 40
Taxes receivable	<u>3 631 14</u>
Total Current Assets	<u>181 343 54</u>
NON-CURRENT ASSETS:	
Capital Assets	196 992 00
Less: Accumulated Depreciation	<u>(127 704 19)</u>
Total Non-current Assets	<u>69 287 81</u>
TOTAL ASSETS	<u><u>250 631 35</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	69 287 81
Reserved for cemetery	15 341 62
Unrestricted	<u>166 001 92</u>
Total Net Assets	<u>250 631 35</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>250 631 35</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	3 320 00	-	(3 320 00)
General government	64 047 84	15 731 07	(48 316 77)
Public safety	21 377 86	-	(21 377 86)
Public works	25 248 06	-	(25 248 06)
Other	12 464 96	-	(12 464 96)
Total Governmental Activities	<u>126 458 72</u>	<u>15 731 07</u>	<u>(110 727 65)</u>
General Revenues:			
Property taxes			34 321 15
Payments in lien of taxes			12 018 05
State revenue sharing			49 409 92
Interest			4 570 53
Miscellaneous			<u>4 009 97</u>
Total General Revenues			<u>104 329 62</u>
Change in net assets			(6 398 03)
Net assets, beginning of year			<u>257 029 38</u>
Net Assets, End of Year			<u>250 631 35</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2006

	<u>General</u>
<u>Assets</u>	
Cash in bank	161 173 44
Taxes receivable	3 631 14
Due from other funds	<u>16 538 96</u>
Total Assets	<u>181 343 54</u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	-
Total liabilities	<u>-</u>
Fund equity:	
Fund balances:	
Reserved for cemetery	15 341 62
Unreserved:	
Undesignated	<u>166 001 92</u>
Total fund equity	<u>181 343 54</u>
Total Liabilities and Fund Equity	<u>181 343 54</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	181 343 54
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	196 992 00
Accumulated depreciation	<u>(127 704 19)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>250 631 35</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2006

	<u>General</u>
Revenues:	
Property taxes	34 321 15
Payments in lieu of taxes	12 018 05
State revenue sharing	49 409 92
Charges for services – PTAF	15 231 07
Charges for services – cemetery	500 00
Interest	4 570 53
Miscellaneous	<u>4 009 97</u>
Total revenues	<u>120 060 69</u>
Expenditures:	
Legislative:	
Township Board	2 280 00
General government:	
Supervisor	6 403 99
Elections	887 50
Assessor	14 206 38
Clerk	7 395 49
Treasurer	9 620 99
Township hall	7 181 37
Board of Review	923 97
Cemetery	1 844 17
Unallocated	13 735 45
Public safety:	
Fire protection	7 453 93
Public works:	
Highways and streets	15 706 00
Street lights	1 291 96
Sanitation	8 250 10
Other:	
Insurance	10 730 00
Pension	1 734 96
Capital outlay	<u>13 772 00</u>
Total expenditures	<u>123 418 26</u>
Excess (deficiency) of revenues over expenditures	(3 347 57)
Fund balance, April 1	<u>184 691 11</u>
Fund Balance, March 31	<u><u>181 343 54</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (3 347 57)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(16 822 46)
Capital Outlay	<u>13 772 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>(6 398 03)</u>
-------------------------------------------------	-------------------

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Thompson, Schoolcraft County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Thompson. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was .8937 mills, and the taxable value was \$38,427,408.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1 500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	15-60 years
Furniture and equipment	3-5 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2005, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$69,287.81.

TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>456,247.43</u>



TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>256 247 43</u>
Total Deposits	<u>456 247 43</u>

The Township of Thompson did not have any investments as of March 31, 2006.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
<u>Governmental Activities:</u>				
Land	100 00	-	-	100 00
Buildings	35 400 00	-	-	49 172 00
Equipment	<u>147 720 00</u>	<u>13 772 00</u>	<u>-</u>	<u>147 720 00</u>
Total	<u>183 220 00</u>	<u>13 772 00</u>	<u>-</u>	<u>196 992 00</u>
Accumulated Depreciation	<u>(110 881 73)</u>	<u>(16 822 46)</u>	<u>-</u>	<u>(127 704 19)</u>
Net Capital Assets	<u>72 338 27</u>	<u>(3 050 46)</u>	<u>-</u>	<u>69 287 81</u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all elected officials and full time employees. The Township contributes 6.2% of each covered employee's wages to the plan. The covered employees also contribute 10% of their wages to the plan. The net pension expense for the fiscal year ended March 31, 2006, was \$1,734.96.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Thompson does not issue building permits. Building permits are issued by the County of Schoolcraft.

TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>16 538 96</u>	Current Tax Collection	<u>16 538 96</u>

TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	45 000 00	45 000 00	34 321 15	(10 678 85)
Payment in lieu of taxes	10 700 00	10 700 00	12 018 05	1 318 05
State shared revenue	45 000 00	45 000 00	49 409 92	4 409 92
Charges for services – PTAF	3 800 00	3 800 00	15 231 07	11 431 07
Charges for services – cemetery	-	-	500 00	500 00
Interest	2 500 00	2 500 00	4 570 53	2 070 53
Miscellaneous	<u>21 042 00</u>	<u>21 042 00</u>	<u>4 009 97</u>	<u>(17 032 03)</u>
Total revenues	<u>128 042 00</u>	<u>128 042 00</u>	<u>120 060 69</u>	<u>(7 981 31)</u>
Expenditures:				
Legislative:				
Township Board	2 280 00	2 280 00	2 280 00	-
General government:				
Supervisor	6 500 00	6 500 00	6 403 99	(96 01)
Elections	2 000 00	1 200 00	877 50	(332 50)
Assessor	11 412 00	14 206 38	14 206 38	-
Clerk	7 500 00	7 500 00	7 395 49	(104 51)
Treasurer	9 700 00	9 700 00	9 620 99	(79 01)
Township hall	8 250 00	7 489 62	7 181 37	(308 25)
Board of Review	1 100 00	1 100 00	923 97	(176 03)
Cemetery	2 200 00	2 200 00	1 844 17	(355 83)
Unallocated	14 000 00	14 000 00	13 735 45	(264 55)
Public safety:				
Fire protection	7 500 00	7 500 00	7 453 93	(46 07)
Public works:				
Highways and streets	22 400 00	17 630 40	15 706 00	(1 924 40)
Street lights	1 400 00	1 400 00	1 291 96	(108 04)
Sanitation	9 000 00	8 250 10	8 250 10	-
Other:				
Insurance	10 800 00	10 800 00	10 730 00	(70 00)
Pension	2 000 00	2 000 00	1 734 96	(265 04)
Capital outlay	<u>10 000 00</u>	<u>14 285 50</u>	<u>13 772 00</u>	<u>(513 50)</u>
Total expenditures	<u>128 042 00</u>	<u>128 042 00</u>	<u>123 408 26</u>	<u>(4 633 74)</u>
Excess (deficiency) of revenues over expenditures	-	-	(3 347 57)	(3 347 57)
Fund balance, April 1	-	-	184 691 11	184 691 11
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>181 343 54</u>	<u>181 343 54</u>

TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2006

Township Board:	
Salaries	2 280 00
Supervisor:	
Salary	6 360 00
Supplies	43 99
	6 403 99
Election:	
Wages and expenses	877 50
Assessor:	
Salary	14 060 00
Supplies	146 38
	14 206 38
Clerk:	
Salary	6 900 00
Deputy	75 00
Supplies	420 49
	7 395 49
Treasurer:	
Salary	9 540 00
Deputy	75 00
Supplies	5 99
	9 620 99
Township hall:	
Mowing and snow plowing	1 105 47
Utilities	1 640 67
Phone	459 01
Repairs and maintenance	919 76
Supplies	3 056 46
	7 181 37
Board of Review	923 97
Cemetery:	
Contracted services	1 800 00
Repairs and maintenance	44 17
	1 844 17
Unallocated:	
Advertising	813 68
Dues	808 52
Manatron	4 865 33
Audit	800 00
Training	2 163 04
Payroll taxes	436 08
Miscellaneous	3 848 80
	13 735 45

TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2006

Fire:	
Contracted services	720 00
Insurance	1 304 36
Supplies	3 578 18
Repairs and maintenance	1 851 39
	<u>7 465 93</u>
Highways and streets	<u>15 706 00</u>
Street lighting	<u>1 291 96</u>
Sanitation	<u>8 250 10</u>
Insurance	<u>10 730 00</u>
Pension	<u>1 734 96</u>
Capital outlay	<u>13 772 00</u>
Total Expenditures	<u><u>123 408 26</u></u>

TOWNSHIP OF THOMPSON  
Schoolcraft County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2006

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>Assets</u>				
Cash in Bank	<u>195 63</u>	<u>1 056 780 73</u>	<u>761 902 37</u>	<u>295 073 99</u>
Total Assets	<u>195 63</u>	<u>1 056 780 73</u>	<u>761 902 37</u>	<u>295 073 99</u>
<u>Liabilities</u>				
Due to other funds	<u>195 63</u>	<u>44 881 27</u>	<u>28 537 94</u>	<u>16 538 96</u>
Due to other units	<u>-</u>	<u>1 011 899 46</u>	<u>733 364 43</u>	<u>278 535 03</u>
Total Liabilities	<u>195 63</u>	<u>1 056 780 73</u>	<u>761 902 37</u>	<u>295 073 99</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

June 13, 2006

To the Township Board  
Township of Thompson  
Schoolcraft County, Michigan

We have audited the financial statements of the Township of Thompson for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Thompson in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Thompson  
Schoolcraft County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2006. The implementation of this pronouncement for the Township of Thompson began with the year ended March 31, 2006. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.



To the Township Board  
Township of Thompson  
Schoolcraft County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co. P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants